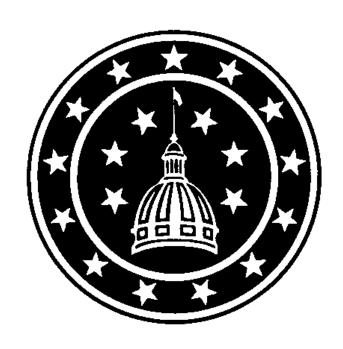
# STATUS REPORT OF THE PROPERTY TAX REPLACEMENT STUDY COMMISSION



Indiana Legislative Services Agency 200 W. Washington St., Suite 301 Indianapolis, Indiana 46204-2789

September, 2004

# **Property Tax Replacement Study Commission**

## **Membership Roster**

Representatives

Representative John Frenz, Co-Chair

Vincennes

**Senators** 

Senator Luke Kenley, Co-Chair

**Jason Shelley** 

Hope

John Taylor

Indianapolis

Don Strietelmeier

Indianapolis

**Thomas Taylor** 

Warsaw

Louis Zickler

Greenwood

**Indianapolis** 

**Mayor Ernie Wiggins** 

Noblesville

Reprepresentative Eric Turner

Marion

**Senator Lindel Hume** 

Princeton

# Lay Members

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Indianapolis

Joe Breedlove

Lebanon

**Daniel Clark Indianapolis** 

**Amy Corsaro Indianapolis** 

**Deborah Driskell Fishers** 

Lester J. Fox South Bend

**Phil Hoy Evansville**  Michael Hudson Indianapolis

Mike Karickhoff Kokomo

Patrick Kiely Indianapolis

**Joseph Loftus** Carmel

**Joseph Minnis** W. Terre Haute

**Daniel Philpott Indianapolis** 

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**Legislative Services Agency Staff** 

**Diane Powers, Fiscal Analyst** Jim Landers, Fiscal Analyst **Dagney Faulk, Fiscal Analyst Chuck Mayfield, Fiscal Analyst** Adam Brown, Fiscal Analyst

**Bob Bond, Attorney** George Angelone, Attorney John Rowings, Attorney

#### September, 2004

A copy of this report is available on the Internet. Reports, minutes, and notices are organized by committee. This report and other documents for this Commission can be accessed from the General Assembly Homepage at http://www.state.in.us/legislative/.

#### STATUS REPORT

### **Property Tax Replacement Study Commission**

#### I. STATUTORY DIRECTIVE

The Indiana General Assembly enacted legislation (P.L. 64-2004) directing the Commission to study the following proposals:

- (1) Eliminating approximately 50% of net property tax levies;
- (2) Eliminating approximately 75% of net property tax levies;
- (3) Eliminating approximately 100% of net property tax levies.

The legislation also required that the Commission identify revenue sources capable of replacing property taxes and providing sufficient revenue to maintain essential government services.

#### II. INTRODUCTION

The Commission has met six times during the 2004 interim session: April 27<sup>th</sup>, May 17<sup>th</sup>, June 18<sup>th</sup>, July 28<sup>th</sup>, August 16<sup>th</sup>, and September 15<sup>th</sup>. The minutes from the first three meetings were attached to the July Status Report, and the minutes for the last three meetings are attached to the September Status Report. At these meetings the Commission has received reports and testimony regarding:

- 1. The status of reassessment.
- 2. Compilation of parcel-level data and tax shift analysis by Legislative Services Agency.
- 3. Legal issues regarding the elimination of property taxes.
- 4. The Indiana Fiscal Policy Institute's ongoing Property Tax Equalization Study.
- 5. Estimates of the school general fund, county welfare, and county courts net levies.
- 6. Estimates of the business personal property net levies, and local option sales and income taxes to replace these levies.
- 7. Options for increasing state taxes to replace 50%, 75%, and 100% of net property tax levies, and the impact of the changes on state tax rates.
- 8. The cost of local government administration.
- 9. Property tax circuit breakers for homeowners.
- 10. Property tax assessment administration issues.

The Commission also established five working groups that have met and are developing information relating to specific tax and administrative cost issues. The working groups and a general description of their work are as follows:

- 1. Property Tax Administrative Issues estimating the cost of reassessment and the continuing cost of the assessment system.
- 2. Local Government Services investigating models (i.e., interlocal cooperative agreements) that might be employed to reduce cost of government services.
- 3. Long Term Debt Issues investigating the potential impact of changing debt service funding from property tax to an alternative revenue source.
- 4. Other Tax Systems investigating tax structures and tax relief mechanisms used by other states, in particular, surrounding states.
- 5. Property Tax Levies and Controls investigate the different sources of replacement

revenue and implications of using these sources to replace property taxes.

In addition, Commissioners were asked to create their own plans to increase various state taxes as a means of replacing 50% of the statewide net property tax levy. These plans were submitted to the Chairman and discussed at the September 15<sup>th</sup> Commission meeting.

Meeting minutes for the Commission can be accessed from the General Assembly Homepage at <a href="http://www.state.in.us/legislative/">http://www.state.in.us/legislative/</a>.